# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## ANNUAL REPORT 1982

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Crown Investments Corporation of Saskatchewan
2400 College Avenue
Regina, Saskatchewan
S4P 1C8

# Letter of Transmittal

Regina, Saskatchewan,
April 22, 1983.

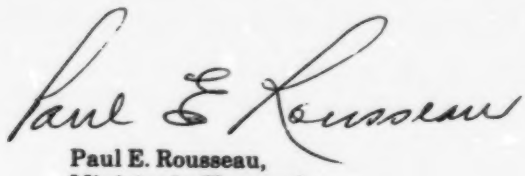
To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant Governor of the Province of Saskatchewan.

Sir:

I have the honour to submit herewith the fifth annual report of the Crown Investments Corporation of Saskatchewan for the year ending December 31, 1982, including the consolidated financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,



Paul E. Rousseau,
Minister in Charge of
Crown Investments Corporation
of Saskatchewan.

# Board of Directors

Honourable Paul Rousseau
Chairman of the Board

Honourable Grant Devine

Honourable Eric Berntson

Honourable Bob Andrew

Honourable J. Gary Lane, Q.C.

Honourable Joan Duncan

Secretary to the Board - R. M. Sherdahl

# Officers

S. R. Barg
Vice-President
Finance and Corporate Planning

M. J. Tabouret
Senior Vice-President
Corporate and Economic Development

R. M. Sherdahl
Vice-President
Corporate Services and Secretary

G. R. Armstrong
Vice-President
Corporate Development

G. W. MacLean
Assistant Vice-President
Finance and Corporate Planning

J. M. Barry
Senior Vice-President
CIC Industrial Interests Inc.

G. E. Waddington
Vice-President
CIC Industrial Interests Inc.

P. J. Rody
Assistant to the President

J. F. Reid, Director
Capital Plans Department

H. J. Matthies, Director
Pension and Administration
Department

J. H. Cameron, Director
Human Resources Department

C. S. Kang, Director
Market Analysis Department

E. M. France, Director
Project Planning Department

J. R. Little, Director
Public Affairs Department

R. C. Sauvé, Director
Business Economics Department

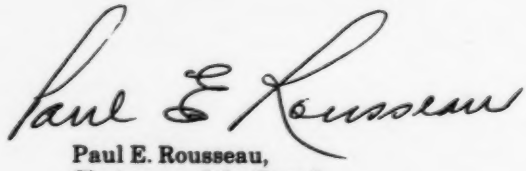
S. A. Batt
Counsel

# Chairman's Remarks

The following annual report of the Crown Investments Corporation of Saskatchewan (CIC) contains the consolidated financial statements for Saskatchewan's commercial Crown corporations for 1982. The narrative section of the report presents an overview of the Crown sector, including comments on individual Crown corporations and equity companies.

The financial results portrayed in this Report reflect the continuation of a difficult world economic environment. Business operations large and small have been subjected to the vagaries of high interest rates and depressed markets during the year under review. Particular care, diligence and skill was required to lead the Crown corporations through these difficult times.

As a new government, we have had the opportunity to review the process of management, control and direction of the Crown sector and to cast off those past practices that are no longer appropriate. This has been an interesting and challenging activity for me as Minister responsible for CIC. I look forward to working with the Crown corporations as we continue to rationalize our management processes and to work towards continuing improvements in the province's economic life.



Paul E. Rousseau,
Chairman of the Board,
Crown Investments Corporation
of Saskatchewan.

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

## Resources

Potash Corporation of Saskatchewan (PCS)

Saskatchewan Mining Development Corporation (SMDC)

Saskatchewan Oil and Gas Corporation (Saskoil)

Saskatchewan Forest Products Corporation

Saskatchewan Minerals

## Utilities

Saskatchewan Power Corporation (SPC)

Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Computer Utility Corporation (SaskComp)

Saskatchewan Water Supply Board

## Financial and Service

Saskatchewan Government Insurance (SGI)

Saskatchewan Economic Development Corporation (SEDCO)

Saskatchewan Transportation Company (STC)

The Saskatchewan Government Printing Company

Agricultural Development Corporation of Saskatchewan (Agdevco)

Saskatchewan Development Fund Corporation

Municipal Financing Corporation of Saskatchewan

Saskatchewan Fur Marketing Service

# Consolidated Financial Performance

This fifth annual report of the Crown Investments Corporation of Saskatchewan includes a consolidated statement of the 1982 financial results of the Province's commercial Crown corporations and a brief comment on their performance. Further information on each of the 17 commercial Crown corporations is available in their individual annual reports.

## Overview

1982 was a difficult year financially for Saskatchewan's Crown corporations. High financing costs, a world-wide recession, poor markets for the province's major resources, and decreased profits for utilities resulted in a consolidated loss of $126 million, compared with a net profit of $115 million (restated) in 1981.

Total revenues in 1982 declined modestly to $1.74 billion ($1.76 billion in 1981) but were overtaken by steadily increasing costs. Total assets of the group of companies reached $5.8 billion at year-end, up from $5 billion a year earlier. Taxes and royalty payments to the province showed a substantial decline in 1982, largely due to the difficult market conditions faced by the resource companies. These payments amounted to $93 million in 1982, down from $131 million in the previous year.

## Resource Corporations

Saskatchewan's resource-related Crown corporations showed mixed results in 1982. Poor markets were the most striking feature of the year's operations for most of these companies.

The Potash Corporation of Saskatchewan and Saskatchewan Forest Products Corporation encountered the disappointing financial declines experienced by many other companies in their industries. However, earnings remained generally stable, and even improved, for the Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation and Saskatchewan Minerals.

## Utilities

The utilities group — Saskatchewan Power Corporation, Saskatchewan Telecommunications, Saskatchewan Computer Utility Corporation, and the Saskatchewan Water Supply Board — have as their mandate the provision of goods and services to the citizens of the Province at reasonable cost. Saskatchewan Power Corporation and Saskatchewan Telecommunications experienced some decline in earnings in 1982 as a result of rising costs coupled with lower demand for services. However, taken together, the four utilities still succeeded in achieving a combined profit of $8 million.

## Financial and Service Corporations

The eight Crown corporations in the Financial and Service group are Saskatchewan Government Insurance, Saskatchewan Economic Development Corporation, Saskatchewan Transportation Company, Saskatchewan Government Printing Company, Agricultural Development Corporation, Saskatchewan Development Fund Corporation, Municipal Financing Corporation, and Saskatchewan Fur Marketing Service.

In recessionary years such as 1982, it is difficult for corporations with responsibility for public services to report profits without charging their customers considerably more than in the past. Poor markets, fluctuating interest rates, high insurance claims and the desire to keep rate increases within reasonable bounds were factors which contributed to losses for a number of these corporations.

## CIC Industrial Interests Inc.

CIC Industrial Interests Inc. is the wholly owned subsidiary of CIC which holds CIC's interests in a number of private sector companies. At year-end it held 20 per cent of Interprovincial Steel and Pipe Corporation Ltd., 17 per cent of Agra Industries Ltd., five per cent of Nabu Manufacturing Corporation, 45 per cent of Intercontinental Packers Ltd., 60 per cent of CableCom Corporation, 91 per cent of Prairie Malt Ltd. and a 42 per cent voting interest in SED Systems Inc.

The Prince Albert Pulp Company Ltd. is wholly owned directly by CIC and its results are included in CIC's consolidated financial statements.

## Resource Corporations

### Potash Corporation of Saskatchewan (PCS)

The Potash Corporation of Saskatchewan, like other international potash producers, was seriously affected by the world-wide recession. The result was that net earnings fell to $607 thousand from $142 million in 1981. Low prices for farm products, high interest rates and a reduction in third world purchasing power combined to bring about a decreased demand for potash in North American and offshore markets, necessitating production curtailments and layoffs at PCS.

Production for 1982 totalled 2.86 million tonnes, down significantly from the 4.37 million tonnes produced in 1981.

### Saskatchewan Mining Development Corporation (SMDC)

SMDC recorded profits of $5.5 million (1981 - $5.6 million) in the second year of production from the Cluff Lake uranium mine in which it has a 20 per cent partnership interest.

Construction continued in 1982 on the Key Lake uranium mine in which SMDC owns a 50 per cent interest. The mine, with some of the richest uranium ore deposits in the world, is planned to come into production in 1983. Although uranium markets remained relatively soft throughout 1982, SMDC has obtained sales commitments for a substantial proportion of its share of production from this mine through to 1990.

The company continued its active exploration program, both on its own and in partnership with other mining companies, although total exploration expenditures were somewhat lower than in 1981. About 30 per cent of 1982 exploration activity focussed on commodities other than uranium such as copper, zinc and gold.

### Saskatchewan Oil and Gas Corporation (Saskoil)

The Saskatchewan Oil and Gas Corporation produced more than 600 thousand cubic metres of oil and had a net income of $1.6 million in 1982, up from a loss position of $6.2 million (restated) the previous year. This improvement was achieved despite difficulties experienced early in the year when a large part of Saskatchewan's oil production was shut in for about three months.

### Saskatchewan Forest Products Corporation

Poor market conditions resulting in declining prices and sales volumes caused serious financial problems for the Saskatchewan Forest Products Corporation. Its net loss for 1982 increased to $10.9 million from $2.2 million in 1981.

### Saskatchewan Minerals Corporation

Continuing its steady profit performance, Saskatchewan Minerals maintained net earnings of $5.2 million in 1982, the same as in 1981. During 1982, the company completed a head office building expansion and began the installation of energy-efficient sodium sulphate evaporators, both as part of a capital renewal program at Chaplin.

## Utility Corporations

### Saskatchewan Power Corporation (SPC)

SPC supplies electricity and natural gas to Saskatchewan customers. In order to meet the present and future energy requirements of the province, the corporation continued to upgrade its electric transmission facilities and continued work on the second unit of the Poplar River Power Station during 1982. In addition, the major civil engineering contract for the Nipawin hydro electric project was awarded in the summer. This project will generate a significant amount of employment, both directly related to construction and in secondary industries.

SPC also made substantial investments in its gas facilities, including the expenditure of approximately $17.7 million to launch its Saskatchewan Natural Gas Distribution Program. This program made it possible for natural gas to be supplied to an additional 30 communities and 100 farms in the province in 1982.

The total electrical energy delivered to customers was up only 0.7 per cent despite increased weather-related power demands of the residential and commercial sectors. To a considerable degree, this marginal overall increase reflects a significant drop in electricity sales to large industrial customers affected by the economic downturn.

Total revenues in 1982 reached $647 million but costs increased more rapidly to $650.4 million resulting in a net loss of $3.4 million (1981 restated loss of $322 thousand). Reduced sales to commercial and industrial customers, higher interest rates, and higher costs of natural gas were primarily responsible for the decline in net income.

### Saskatchewan Telecommunications (Sask Tel)

Saskatchewan Telecommunications constructs, maintains and operates a provincial telecommunications system in concert with similar systems throughout Canada. In common with other telephone companies, Sask Tel experienced a decrease in the growth of customer demand during the year. Long distance telephone calls originating in Saskatchewan totalled 80 million, up slightly from the previous year. In anticipation of renewed demand, Sask Tel invested

$121.5 million in the improvement and expansion of telecommunication facilities, increasing its gross investment in property, plant and equipment to over $1 billion.

The Rural Service Improvement Program, which assimilated 752 rural telephone companies representing 46,470 subscribers, was completed in 1982.

Construction continued on the fibre optic network in 1982, and approximately 1700 kilometers of fibre optic cable were in place by year end. This network will carry long distance messages and extend cable TV to many communities within the province, ultimately paving the way for many new consumer, industrial and educational services.

By the end of 1982, Sask Tel's cable TV distribution system was serving 136,112 subscribers.

Net earnings declined in 1982 to $7.8 million, a substantial drop from 1981 results of $24.3 million.

### Saskatchewan Computer Utility Corporation (SaskComp)

The Saskatchewan Computer Utility Corporation's major clients include the Government of Saskatchewan, Crown corporations, the Universities of Saskatchewan and Regina, and other public and private agencies. 1982 proved to be a successful year for SaskComp, both operationally and financially, with earnings reaching $3.2 million ($558 thousand in 1981).

### Saskatchewan Water Supply Board

The Saskatchewan Water Supply Board, with headquarters in Watrous, develops and operates water supply systems serving industrial, municipal, recreational, agricultural, wildlife and domestic users in the Saskatoon area.

The corporation supplied 1.1 billion gallons of water by pipeline to its customers in 1982, down 23 per cent from 1981. This decrease was mainly due to a slowdown in the potash industry, and resulted in net earnings for the corporation dropping to $357 thousand, from $575 thousand the previous year.

## Financial and Service Corporations

### Saskatchewan Government Insurance (SGI)

Saskatchewan Government Insurance administers compulsory automobile insurance under the Automobile Accident Insurance Act (AAIA), and offers property and casualty insurance products on a competitive basis in the province.

The AAIA continued its recovery in 1982. The deficit in the rate stabilization reserve declined by $10 million to $12.6 million, despite a 14.4 per cent growth in the cost of claims incurred. AAIA rate increases were held to an average of 7.2 per cent in 1982.

A record loss of $38.8 million was incurred in SGI's general business. While $7.3 million of this can be attributed to severe storms in August, the largest influence on the corporation's performance was assumed reinsurance operations, which suffered a loss of $32.3 million.

Storms and reinsurance losses aside, performance from nearly all product lines was disappointing. This is a reflection of general conditions throughout the insurance industry. In response to these conditions, and with a view to eliminating its deficit over the course of a number of years, SGI is focussing its attention on a program of stricter underwriting and increased efficiency of operations.

### Saskatchewan Economic Development Corporation (SEDCO)

Saskatchewan Economic Development Corporation encourages the growth of industry by providing loans, guarantees, and in some cases, equity funding to businesses throughout the province. SEDCO also helps to attract new business to Saskatchewan by working with municipalities to construct industrial parks, and by offering property for lease or sale to industrial clients.

SEDCO's total assets at the end of 1982 amounted to $173.3 million including 455 loans valued at $125.3 million. As a development corporation, SEDCO bore some of the brunt of the financial difficulties facing Saskatchewan businesses in 1982. The corporation reported a loss of $9 million ($3 million profit in 1981) mainly because of bad debt losses from loans made in previous years.

### Saskatchewan Transportation Company (STC)

The Saskatchewan Transportation Company provides a passenger and parcel express service in Saskatchewan serving more than 400 communities and about 85 per cent of the province's population.

During 1982, STC completed construction of a major repair and maintenance facility in Saskatoon to centralize the maintenance function in the province. While revenues increased during 1982 as a result of increased passenger volume, expenses increased more rapidly resulting in a net loss of $2.1 million (which compares with a loss of $292 thousand in 1981).

### Saskatchewan Government Printing Company

The Saskatchewan Government Printing Company provides a general printing and book-binding service to the provincial government, its agencies and Crown corporations. Net earnings for 1982 reached $143 thousand on revenues of $2.7 million, a substantial improvement over 1981.

### Agricultural Development Corporation (Agdevco)

During 1982, the Agricultural Development Corporation continued its role in the development of domestic and export trade for the province's agricultural products and in research and development related to alternative agricultural products and processes.

Net income for the corporation was $117 thousand in 1982, compared to $217 thousand in 1981.

### Saskatchewan Development Fund Corporation

The Saskatchewan Development Fund is composed of two parts: an annuity fund which offers term annuities, and a government guaranteed mutual fund, which is an investment vehicle available to residents of Saskatchewan.

Falling interest rates in the latter part of 1982 resulted in the mutual fund share value increasing from $3.80 to $5.09 during the year. In order to provide the guaranteed five per cent annual rate of return to mutual fund investors who redeemed their shares early in the year, approximately $188 thousand in guaranteed interest payments were made during the year. As a consequence, the corporation suffered a net loss of $124 thousand in 1982 (net loss of $456 thousand in 1981).

The asset value of the annuity fund declined from $37 million to $28 million over the year as the large number of short-term annuities issued in 1980 and 1981 were paid out.

### Municipal Financing Corporation

The Municipal Financing Corporation of Saskatchewan was established to assist in making capital funds available for the financing of local improvements, schools, hospitals and other municipal projects in the province. The corporation purchases a portion of the authorized debentures sold each year by Saskatchewan local authorities. In 1982, the corporation participated in the financing of 79 projects throughout Saskatchewan by purchasing $23.5 million of municipal debentures.

The unfavourable spread between 1982 interest expense on borrowings and lower interest revenues from debentures purchased in past years resulted in a loss of $1.9 million ($2.0 million loss in 1981).

### Saskatchewan Fur Marketing Service

The Saskatchewan Fur Marketing Service ceased business operations at the end of 1982 following several years of declining market share. The loss in its last 15 months of operation was $300 thousand.

# CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN

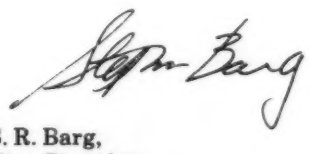
# Consolidated Financial Statements 1982

## Responsibility for Financial Statements

The financial statements have been prepared by the management of the Corporation in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year. The statements have been examined and approved by the Board of Directors.

Management acknowledges responsibility for the fairness, integrity and objectivity of all financial information contained in this report. In order to fulfill this responsibility, the consolidated corporations maintain appropriate systems of internal controls, policies and procedures, and ensure that their reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs.

Our independent auditor, whose report on the examination of the consolidated financial statements appears on page 12, reviews our systems of internal control in accordance with generally accepted auditing standards for the purpose of expressing his opinion.



S. R. Barg,
Vice-President,
Finance and Corporate Planning.

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# Consolidated Statement of Financial Position

**As at December 31**

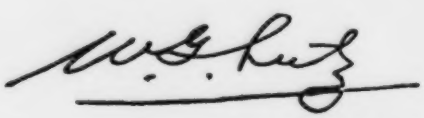
| | Note Reference | 1982 | 1981 |
|---|---|---|---|
| | | (thousands of dollars) | |
| **Assets** | | | |
| Current | | | |
| Short-term investments | | $ 159,957 | $ 102,789 |
| Accounts receivable | 4 | 373,777 | 318,044 |
| Inventories | | 133,009 | 81,296 |
| Prepaid expenses | | 118,704 | 104,682 |
| | | 785,447 | 606,811 |
| Investments | 5 | 525,743 | 447,999 |
| Property, plant and equipment | 6 | 4,390,717 | 3,884,760 |
| Deferred charges | 7 | 155,128 | 121,631 |
| | | $ 5,857,035 | $ 5,061,201 |

# Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the consolidated statement of financial position of Crown Investments Corporation of Saskatchewan as at December 31, 1982 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting policies described in Note 3, on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
March 25, 1983.

W. G. Lutz, F.C.A.,
Provincial Auditor.

| | Note Reference | 1982 | 1981 |
|---|---|---|---|
| | | (thousands of dollars) | |
| **Liabilities and Province's Equity** | | | |
| Current | | | |
| Bank indebtedness | 8 | $ 229,968 | $ 289,809 |
| Accounts payable and accrued liabilities | | 590,416 | 474,536 |
| Dividend payable | | 42,000 | — |
| Notes payable | 9 | 84,700 | 90,620 |
| Deferred revenue | 10 | 136,972 | 124,700 |
| Long-term debt due within one year | 11 | 73,939 | 69,614 |
| | | 1,157,995 | 1,049,279 |
| Deferred revenue | 10 | 65,347 | 28,779 |
| Long-term debt | 11 | 3,179,479 | 2,395,328 |
| Province of Saskatchewan's Equity | | | |
| Advances | 13 | 838,730 | 807,730 |
| Reinvested earnings | 3 & 16 | 536,648 | 704,670 |
| | | 1,375,378 | 1,512,400 |
| Customer capital contributions | 14 | 78,836 | 75,415 |
| | | 1,454,214 | 1,587,815 |
| | | $ 5,857,035 | $ 5,061,201 |

(See accompanying notes)

# Consolidated Statement of Operations

**For the Year Ended December 31**

| | Note Reference | 1982 | 1981 |
|---|---|---|---|
| | | (thousands of dollars) | |
| **Revenue** | | | |
| Sales of products and services | | $ 1,613,648 | $ 1,657,329 |
| Revenue from investments | 5 | 80,730 | 74,641 |
| Other | 16 | 40,870 | 32,599 |
| | | 1,735,248 | 1,764,569 |
| **Expenses** | | | |
| Operating costs other than those listed below | 15 | 1,273,773 | 1,075,599 |
| Interest | 12 | 292,251 | 251,387 |
| Depreciation and depletion | | 201,868 | 191,218 |
| Saskatchewan taxes and resource payments | 17 | 93,378 | 130,644 |
| | | 1,861,270 | 1,648,848 |
| Net earnings (loss) | | $ (126,022) | $ 115,721 |

(See accompanying notes)

# Consolidated Statement of Reinvested Earnings

**For the Year Ended December 31**

| | Unappropriated | | Appropriated (Note 19) | | Total | |
|---|---|---|---|---|---|---|
| | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 |
| | | | (thousands of dollars) | | | |
| Balance, beginning of year, as restated Note 3 and 16 | $324,224 | $352,440 | $380,446 | $236,509 | $704,670 | $588,949 |
| Net earnings (loss) | (126,022) | 115,721 | — | — | (126,022) | 115,721 |
| Dividend | — | — | (42,000) | — | (42,000) | — |
| Appropriations | 15,110 | (143,937) | (15,110) | 143,937 | — | — |
| Balance, end of year | $213,312 | $324,224 | $323,336 | $380,446 | $536,648 | $704,670 |

(See accompanying notes)

# Consolidated Statement of Changes in Financial Position

**For the Year Ended December 31**

| | Note Reference | 1982 | 1981 |
|---|---|---|---|
| | | (thousands of dollars) | |
| **Sources of Working Capital** | | | |
| Operations | | | |
| Earnings (loss) | | $ (126,022) | $ 115,721 |
| Items not affecting working capital | | 205,232 | 193,648 |
| | | 79,210 | 309,369 |
| Loans — Consolidated Fund | | 830,507 | 616,601 |
| Loans — Saskatchewan Heritage Fund | | — | 10,000 |
| Advances — Saskatchewan Heritage Fund | 13 | 31,000 | 207,100 |
| Other long-term debt | | 22,675 | 4,778 |
| Increase in deferred revenue | | 36,568 | 6,099 |
| | | 999,960 | 1,153,947 |
| **Application of Working Capital** | | | |
| Capital expenditures, net of proceeds on disposals | 22 | 711,836 | 785,687 |
| Increase in investments | | 94,566 | 105,069 |
| Repayments to Province of Saskatchewan | | | |
| — Loans — Consolidated Fund | | 71,395 | 93,321 |
| — Advances — Consolidated Fund | | — | 6,000 |
| Repayments of other long-term debt | | 1,407 | 1,138 |
| Dividend | | 42,000 | — |
| Other non-current items | | 8,836 | 31,050 |
| | | 930,040 | 1,022,265 |
| Increase in working capital | | $ 69,920 | $ 131,682 |

(See accompanying notes)

# Notes to Consolidated Financial Statements

**December 31, 1982**

## 1. Summary of significant accounting policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

### a) Consolidation principles

The Crown Corporations Act, 1978, assigns certain financial and other responsibilities to the Crown Investments Corporation of Saskatchewan regarding the corporations subject to Part II of the Act as defined by Order-in-Council 1267/78.

Crown corporations do not have share capital; however several Crown corporations do have non-interest bearing advances from the Crown Investments Corporation of Saskatchewan which have been recorded as equity. These advances have been eliminated against the corresponding equity of the applicable corporations in this consolidation.

Equity advances have been made to the Potash Corporation of Saskatchewan, Saskatchewan Oil and Gas Corporation, and Saskatchewan Mining Development Corporation from the Saskatchewan Heritage Fund. However, for the purposes of these consolidated financial statements, advances from the Heritage Fund are reported as part of the overall equity advance to the Corporation.

The Crown Investments Corporation of Saskatchewan consolidates its subsidiaries, CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd., in accordance with the purchase method of accounting. The following corporations, which are subject to Part II of the Act, are consolidated in these statements in accordance with the pooling of interests method.

**Resource Corporations**

Potash Corporation of Saskatchewan and consolidated subsidiaries;

Saskatchewan Forest Products Corporation;

Saskatchewan Minerals;

Saskatchewan Mining Development Corporation and consolidated subsidiary;

Saskatchewan Oil and Gas Corporation and consolidated subsidiary.

**Utilities**

Saskatchewan Computer Utility Corporation;
Saskatchewan Power Corporation and consolidated subsidiaries;
Saskatchewan Telecommunications;
Saskatchewan Water Supply Board.

**Financial and Service Corporations**

Agricultural Development Corporation of Saskatchewan;
Municipal Financing Corporation of Saskatchewan;
Saskatchewan Development Fund Corporation;
Saskatchewan Economic Development Corporation;
Saskatchewan Fur Marketing Service;
Saskatchewan Government Insurance;
Saskatchewan Transportation Company;
The Saskatchewan Government Printing Company.

The Saskatchewan Fur Marketing Service was wound up on December 31, 1982 by Order-in-Council 2133/82. The results of its operations from October 1, 1981 to December 31, 1982 are included in these financial statements.

### b) Inventories

Inventories for resale at various stages of manufacture are valued at the lower of average cost and net realizable value, except for certain forest products raw materials which are valued at the lower of cost and replacement cost.

### c) Property, plant and equipment

Property, plant and equipment is recorded at cost and includes materials, services, direct labour and fringe benefit costs which are readily identifiable with the construction activity or asset acquisition. The cost of funds used to finance the construction of major projects is also included.

The costs of maintenance, repairs and renewals or replacements are charged to operations as incurred. The cost of replacements and improvements which extend productive life are capitalized as property, plant and equipment.

When property, plant or equipment is disposed of or retired, the related costs and accumulated depreciation are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations. This general policy for all operations applies only to complete asset units in the Saskatchewan Power Corporation. Saskatchewan Telecommunications includes gains or losses in accumulated depreciation.

Property, plant and equipment includes land, buildings and equipment held for general office and plant purposes as well as electricity and gas supply facilities; capital leases; telecommunications property; oil and mineral leases as required; property under development for industrial enterprises; extractive machinery and equipment relating to potash, oil, gas and mineral activities; all costs arising from the development of shafts for potash mining as well as the exploration for and development of oil and gas reserves; and the joint venture investments of Saskatchewan Mining Development Corporation, Saskatchewan Oil and Gas Corporation and Saskatchewan Power Corporation which are accounted for by the proportionate consolidation method.

d) **Depreciation and depletion**

Buildings and improvements, machinery and equipment costs are depreciated primarily on the straight line basis over the estimated productive life of each asset.

Deferred property, exploration and development costs, oil and gas production and gathering systems and mining assets are depleted according to the unit of production method.

The approximate composite rate of depreciation and depletion is five per cent on all property, plant and equipment excluding land, plant under construction and certain deferred capital costs of Saskatchewan Mining Development Corporation. The current undepreciable assets amount to $1,289 million (1981 - $770 million).

e) **Foreign exchange**

The temporal method of accounting for foreign exchange translation has been adopted. Long-term debt and related accrued interest payable in foreign currencies are recorded at exchange rates prevailing at the year end date. Where this conversion results in a difference between the previously recorded amount for long-term debt and the converted amount, the difference is included in deferred charges.

f) **Investments**

Investments maturing within one year are included with current assets and are valued at cost. This valuation approximates their quoted market value.

Portfolio investments include securities in private companies recorded at the lower of cost and net realizable value, and marketable securities, recorded at cost which includes the unamortized amount of purchase discounts and premiums which are amortized over the term of the security.

Investments in the shares of Interprovincial Steel and Pipe Corporation Ltd., Intercontinental Packers Limited, Agra Industries Ltd. and SED Systems Inc., are recorded on the equity method of accounting. Cablecom Corporation and Prairie Malt Limited, non-consolidated subsidiaries, are also recorded on the equity method of accounting.

Under the equity method of accounting the original cost of the investment is adjusted for dividends received and the investor's proportionate share of the earnings or losses of each investee corporation. The proportionate share of annual earnings for these investee corporations, less an amount which amortizes any difference between the original cost of the investment and the underlying book value of the investee corporations, is included in the accounts of Crown Investments Corporation of Saskatchewan as revenue from investments.

Where there has been a decline in the value of an investment that is considered other than temporary in nature, the investment is written down to net realizable value.

g) **Deferred charges**

Deferred charges include unamortized conversion differences arising from foreign exchange fluctuations, debt-related charges and pre-operating and pre-acquisition costs.

Unamortized conversion differences arising from foreign exchange fluctuations are amortized over the remaining period to the maturity date of each obligation.

Unamortized discounts and expenses applicable to the issue of long-term debt are amortized in equal annual amounts over the respective term of each obligation. Gains earned on the retirement of sinking fund assets before maturity are included with deferred charges and are amortized over the respective initial term of each obligation.

Pre-operating and pre-acquisition costs are amortized over a period not exceeding 10 years.

h) **Leases**

Leases that transfer substantially all of the benefits and risks incident to the ownership of property, plant and equipment are classified as capital leases. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. Property, plant and equipment recorded as capital leases are amortized on a basis similar to other assets in the same depreciation category.

i) **Pensions**

The corporations which have benefit based pension plans make regular payments into their pension funds, at the actuarially determined rates, equal to the charges against income. These rates will provide for future pension benefits over the remaining working lives of the employees. The most recent actuarial valuations indicate that there are past service costs of approximately $81 million which will be funded and charged to future operations in this manner.

## 2. Status of the Crown Investments Corporation of Saskatchewan

The Corporation, then named The Government Finance Office, was established by Order-in-Council 535 dated April 1, 1947 and continues under the provisions of The Crown Corporations Act, 1978 as Crown Investments Corporation of Saskatchewan.

## 3. Changes in accounting policies

a) During 1982, due to periodic shutdowns at its mines, the Potash Corporation of Saskatchewan changed its method of providing for depreciation on mining assets from the straight-line to the unit-of-production method. This change has not been applied retroactively as the change in method does not have a significant effect on operating results of prior years. As a result of the change, depreciation and depletion expense has been decreased by $13 million.

b) For 1981, the Saskatchewan Oil and Gas Corporation changed the method of calculating depletion by adopting the revenue method which based depletion charges on revenues rather than quantities. As well, two areas of interest (heavy oil, and conventional oil and gas) were established in order to improve the matching of depletion charges with the pricing structure underlying the revenue method of depletion.

During 1982, it became apparent that the assumptions used regarding future world prices were invalid because world prices were not increasing as anticipated. Therefore the Corporation reverted back to the unit-of-production method and to one area of interest.

This change has been applied retroactively in these financial statements. The effect is to decrease the 1982 depletion expense by $3,197,000, to increase the 1981 expense by $5,402,000 and to increase the prior periods expenses by $2,253,000. As a result of these changes, reinvested earnings at January 1, 1982 have decreased by $7,655,000, of which $2,253,000 is applicable to periods prior to 1981. Property, plant and equipment has been decreased by corresponding amounts.

c) The accounting policy for valuing certain forest products raw materials at the lower of cost and net realizable value was changed to valuing these inventories at the lower of cost and replacement cost. This change has no retroactive effect. This valuation method in relation to raw materials is being employed by other producers in the industry.

Had this change not been made inventories and earnings would have been reduced by approximately $8 million.

d) Reinvested earnings and investments recorded on the equity basis have been reduced to reflect the Corporation's share of an investee's retroactive change in an accounting policy amounting to $647 thousand.

## 4. Accounts receivable

Accounts receivable include $56 million (1981 - $51 million) of utility revenue earned before December 31, but unbilled to customers at that time.

Also included in accounts receivable is a $45 million 12½ per cent promissory note due February 28, 1983 extended to April 29, 1983 relating to a coal purchase contract which included the sale of a dragline. If suitable financing cannot be arranged by April 29, 1983, the sale and contract will be cancelled.

## 5. Investments

| | 1982 | 1981 |
|---|---|---|
| | (thousands of dollars) | |
| Portfolio investments | | |
| Shares - private companies .. | $ 26,054 | $ 18,477 |
| Bonds and debentures ..... | 196,207 | 166,324 |
| | 222,261 | 184,801 |
| Equity investments ..... | 70,561 | 73,356 |
| Loans ..... | 175,498 | 140,592 |
| Property holdings ..... | 57,423 | 49,250 |
| | $ 525,743 | $447,999 |

Bonds and debentures had a market value of $195 million on December 31, 1982 (1981 - $121 million).

Equity investments include an amount of $22 million (1981 - $22 million) which represents the Corporation's shareholding in Prairie Malt Limited, a non-consolidated subsidiary. Equity investments, which were acquired commencing in 1973, had differences between the cost and the underlying book value. These differences are being amortized on the straightline basis over periods ranging from 20 to 40 years. At December 31, 1982 the unamortized difference was $1.4 million (1981 - $6 million).

The Corporation's proportionate share of 1982 net earnings before unusual items for equity investments less amortization of the excess of cost over book value of $404 thousand (1981 - $404 thousand) amounted to $3 million (1981 - $4 million) and is included as revenue from investments. (see Note 15)

## 6. Property, plant and equipment

| | 1982 | 1981 |
|---|---|---|
| | (thousands of dollars) | |
| Land | $ 86,573 | $ 77,546 |
| Buildings & improvements | 575,507 | 495,435 |
| Machinery & equipment | 3,457,891 | 3,129,716 |
| Capital leases | 33,785 | 32,085 |
| Plant under construction | 614,683 | 252,028 |
| Deferred property, exploration & development costs | 826,951 | 872,539 |
| | 5,595,390 | 4,859,349 |
| Accumulated depreciation and depletion | 1,204,673 | 974,589 |
| | $ 4,390,717 | $ 3,884,760 |

## 7. Deferred charges

| | 1982 | 1981 |
|---|---|---|
| | (thousands of dollars) | |
| Unamortized conversion differences resulting from foreign exchange fluctuations | $ 68,583 | $ 46,384 |
| Discount on long-term debt | 21,505 | 14,014 |
| Pre-operating and pre-acquisition costs | 65,040 | 61,233 |
| | $ 155,128 | $ 121,631 |

## 8. Bank indebtedness

Bank indebtedness includes an amount of $30 million (1981 - $10 million) that is secured by an assignment of certain assets.

## 9. Notes payable

Notes due to the Province of Saskatchewan's Consolidated Fund and Heritage Fund amounted to $84.7 million at December 31, 1982 (1981 - $90.6 million). The notes are interest bearing, having an annual average interest rate of 10 per cent (1981 - 15.3 per cent) and are repayable on terms of less than one year.

## 10. Deferred revenue

| | 1982 | 1981 |
|---|---|---|
| Current: | (thousands of dollars) | |
| Unearned insurance premiums | $ 132,302 | $ 120,495 |
| Other | 4,670 | 4,205 |
| Total current | $ 136,972 | $ 124,700 |
| Non-current: | | |
| Power utility revenue prepayments | $ 35,556 | $ 28,779 |
| Deferred sales | 13,984 | — |
| Deferred dragline gain | 15,807 | — |
| Total non-current | $ 65,347 | $ 28,779 |

## 11. Long-term debt

### Province of Saskatchewan

### A. Consolidated Fund

| Year of Repayment | Interest Rate | U.S. Dollar Debt | 1982 | 1981 |
|---|---|---|---|---|
| | | | (thousands of dollars) | |
| 1982 | 5.50 | | $ — | $ 6,496 |
| 1982 | 7.75 | | — | 12,000 |
| 1982 | 5.25 | | — | 5,407 |
| 1982 | 5.25 | | — | 7,880 |
| 1982 | 5.50 | | — | 5,385 |
| 1982 | 5.13 | | — | 1,923 |
| 1983 | 5.00 | $ 15,855 | 19,482(b) | 18,796 |
| 1983 | 4.13 | 10,505 | 12,909(c) | 12,454 |
| 1983 | 5.25 | | 2,024(w) | 2,024 |
| 1983 | 5.00 | | 6,779(x) | 6,779 |
| 1984 | 4.75 | 11,677 | 14,349(c) | 13,843 |
| 1984 | 5.50 | | 5,377(a) | 5,377 |
| 1984 | 8.38 | | 50,000(d) | 75,000 |
| 1984 | 5.25 | | 1,960(w) | 1,960 |
| 1984 | 5.00 | 6,976 | 8,572(c) | 8,270 |
| 1985 | 5.50 | | 5,214(a) | 5,214 |
| 1985 | 5.50 | | 8,643(a) | 8,643 |
| 1985 | 5.50 | | 2,140(w) | 2,140 |
| 1985 | 8.50 | | 50,000(x) | 50,000 |
| 1985 | 11.25 | | 50,000(x) | 50,000 |
| 1986 | 5.88 | | 2,400(w) | 2,400 |
| 1986 | 8.75 | 75,000 | 92,160(c) | 88,913 |
| 1986 | 6.25 | | 8,926(a) | 8,926 |
| 1987 | 6.00 | | 8,783(a) | 8,783 |
| 1987 | 9.25 | | 75,000(x) | 75,000 |
| 1986-87 | 5.29-5.61 | | 22,344(g) | 22,344 |
| 1986-88 | 15.60 | | 100,000(u) | 100,000 |
| 1986-96 | 13.375 | | 150,000(t) | 150,000 |
| 1987-88 | 5.39-6.53 | | 20,363(g) | 20,363 |
| 1987-02 | 11.75-12.875 | | 15,000(aa) | — |
| 1987 | 11.75 | | 75,000 | — |
| 1987-89 | 16.75 | | 100,000(l) | — |
| 1988 | 7.25 | | 11,025(a) | 11,025 |
| 1988 | 16.25 | 100,000 | 122,880(e) | 118,380 |
| 1988-89 | 6.40-7.17 | | 35,908(g) | 35,908 |
| 1988 | 15.375 | 77,663 | 95,432(n) | — |
| 1989 | 7.625 | 11,300 | 13,885(f) | 13,396 |
| 1989-90 | 7.16-8.33 | | 40,357(g) | 40,357 |
| 1989 | 16.00 | 125,000 | 153,645(x) | — |
| 1990 | 4.88 | 8,850 | 10,875(c) | 10,490 |
| 1990 | 8.75 | | 15,000(h) | 15,000 |
| 1990-91 | 6.79-8.14 | | 42,868(g) | 42,868 |
| 1991 | 5.75 | | 2,450(a) | 2,450 |
| 1991 | 16.375 | 200,000 | 245,760(x) | 237,089 |
| 1991-92 | 6.75-7.54 | | 42,731(g) | 42,731 |
| 1991-92 | 15.875 | | 7,000 | 7,000 |
| 1992-93 | 7.08-7.51 | | 38,282(g) | 38,282 |
| 1992 | 15.00 | 150,000 | 184,350 | — |
| 1992 | 15.625 | 46,452 | 57,080(x) | — |
| 1993-94 | 7.47-7.61 | | 14,941(g) | 14,941 |

## 11. Long-term debt (continued)

| Year of Repayment | Interest Rate | U.S. Dollar Debt | 1982 | 1981 |
|---|---|---|---|---|
| | | | (thousands of dollars) | |
| 1994 | 5.50 | | $ 3,769(h) | $ 3,769 |
| 1994-95 | 8.01-9.14 | | 21,176(g) | 21,176 |
| 1995 | 8.80-9.34 | | 9,577(g) | 9,577 |
| 1996-97 | 8.83-8.93 | | 5,790(g) | 5,790 |
| 1997 | 8.88-9.08 | | 8,509(g) | 8,509 |
| 1998 | 7.75 | | 30,000(i) | 30,000 |
| 1998 | 8.25 | | 30,000(i) | 30,000 |
| 1998-99 | 9.35-10.16 | | 44,183(g) | 44,183 |
| 1999 | 10.00 | | 45,000(i) | 45,000 |
| 1999 | 10.20-10.68 | | 16,205(g) | 16,205 |
| 2000 | 9.875 | | 70,000(j) | 70,000 |
| 2000 | 11.75 | | 75,000(h) | 75,000 |
| 2001 | 10.25 | | 75,000(i) | 75,000 |
| 2002 | 9.00 | | 75,000(i) | 75,000 |
| 2002 | 13.00 | | 150,000(m) | — |
| 2003 | 9.50 | | 75,000(i) | 75,000 |
| 2004 | 10.00 | | 100,000(i) | 100,000 |
| 2006 | 8.70 | $ 125,000 | 153,600(k) | 148,178 |
| 2007 | 8.625 | 125,000 | 153,600(k) | 148,178 |
| 2008 | 9.25 | 125,000 | 153,600(k) | 148,178 |
| | | 1,214,278 | 3,336,903 | 2,534,980 |
| Less: sinking fund balance (note p) | | | 305,070(o) | 269,512 |
| | | | 3,031,833 | 2,265,468 |

## B. Saskatchewan Heritage Fund

| | | | |
|---|---|---|---|
| 1984-87 | 9.3 | 20,000(s) | 20,000 |
| 1988 | 13.0 | 5,000 | 5,000 |
| 1989 | 13.0 | 8,400 | 8,400 |
| 1991-95 | 17.0 | 10,000(v) | 10,000 |
| **Total due to Province of Saskatchewan** | | $3,075,233 | $2,308,868 |

## Other long-term debt

| | | | | |
|---|---|---|---|---|
| - Bank loans | | | | |
| 1985 | prime related | | $ 115,000(c) | $ 115,000 |
| 1987 | 16.625 | | 15,000 | — |
| - Capital lease obligations | | | | |
| 1983-2014 | 7.80 | | 30,753 | 31,199 |
| 1983-1987 | prime related | | 1,545 | — |
| - Other | | | | |
| 1985-92 | 12.25 | 4,000 | 4,917(y) | — |
| 1996 | 13.00 | 3,900 | 4,795 | 4,625 |
| | various | | 6,175 | 5,250 |
| | | 1,222,178 | 3,253,418 | 2,464,942 |
| Less due within one year | | 26,360 | 73,939 | 69,614 |
| | | $1,195,818 | $3,179,479 | $2,395,328 |

## 11. Long-term debt (continued)

**Footnotes:**

Note (a) — Callable in whole but not in part on any interest payment date on or after the interest payment date two years before maturity.

Note (b) — Callable in whole but not in part on any interest payment date.

Note (c) — Callable in whole or in part by lot.

Note (d) — Callable by lot January 28, 1983/84 - $25 million each year.

Note (e) — Callable in whole or in part on or after November 15, 1987.

Note (f) — Callable in whole or in part by lot on February 15, 1984 or on any subsequent dates at various premiums until maturity.

Note (g) — The source of these funds was the Canada Pension Plan which requires its debentures to be subject to redemption on six months notice.

Note (h) — Callable in whole but not in part on any interest payment date on or after the interest payment date three years before maturity.

Note (i) — Callable in whole but not in part on any interest payment date on or after the interest payment date five years before maturity.

Note (j) — Retractable November 3, 1983. Callable in whole or in part on any interest payment date on or after November 3, 1995.

Note (k) — Callable in whole or in part on any interest payment date on or after the interest payment date 15 years before maturity.

Note (l) — Payable in two annual installments of $20 million each on February 24, 1987 and 1988, and one final installment of $60 million on February 24, 1989. Callable in whole but not in part on any interest payment date at various premiums until maturity.

Note (m) — Callable in whole but not in part on December 1, 2000 or any interest date thereafter prior to maturity.

Note (n) — 150 million Swiss francs fully hedged at $77,662,684 U.S. maturing on March 1, 1988 with interest at 15 3/8 per cent payable annually.

Note (o) — There is a requirement, attached to certain interest-bearing advances from the Consolidated Fund, to make annual payments to the Province in amounts representing one per cent to three per cent of the original advance. These annual payments are invested, at interest, by the Province with the cumulative aggregate being available for the retirement of the advances on their maturity dates.

Note (p) — Sinking fund and debt retirement requirements for the next five years are as follows; in thousands of dollars:

1983 - $ 73,939
1984 - $ 41,337
1985 - $243,745
1986 - $305,014
1987 - $244,157

Note (q) — Long-term debt payable in United States funds has been translated into Canadian funds at the year-end exchange rate of 1.2288 (1981 - 1.1853).

Note (r) — The composite rate of interest payable on long-term debt, prior to deduction of the sinking fund balance, was 11.2 per cent (1981 - 9.6 per cent).

Note (s) — Due in four equal annual installments June 20, 1984/85/86/87.

Note (t) — Due April 1, 1986, and extendible at the option of the holder to April 1, 1996, such option to be exercised between April 1, 1985 and October 1, 1985.

Note (u) — Payable in two annual installments of $30 million each on July 22, 1986 and 1987 and one final installment of $40 million on July 22, 1988. Callable in whole but not in part on any interest payment date at various premiums until maturity.

Note (v) — Due in five equal annual installments September 2, 1991/92/93/94/95.

Note (w) — Treasury Bills representing loans from the Government of Canada.

Note (x) — Non-callable.

Note (y) — Due in eight equal annual installments March 1, 1985 to 1992.

Note (z) — 100 million Swiss francs fully hedged at $46,452,000 U.S. maturing on June 30, 1992 with interest at 15 5/8 per cent payable annually.

Note (aa) — $2 million at 11 3/4 per cent, $2.5 million at 12 per cent, $2.5 million at 12 per cent, $4 million at 12 3/4 per cent, $1.5 million at 12 3/4 per cent, $2.5 million at 12 7/8 per cent repayable December 15, 1987/88/89/90/97/02 respectively.

## 12. Interest

| | 1982 | 1981 |
|---|---|---|
| | (thousands of dollars) | |
| Interest on long-term debt .... | $ 335,670 | $ 249,151 |
| Amortization of debt discount ..... | 3,420 | 1,681 |
| Amortization of foreign exchange conversion differences ..... | 6,999 | 4,634 |
| | 346,089 | 255,466 |
| Less | | |
| - sinking funds earnings .... | 31,353 | 24,709 |
| - gain on debt retirement .... | 1,837 | 2,193 |
| - interest capitalized ..... | 100,790 | 61,642 |
| | 133,980 | 88,544 |
| Long-term debt expense ..... | 212,109 | 166,922 |
| Short-term interest expense ... | 80,142 | 84,465 |
| | $ 292,251 | $ 251,387 |

## 13. Province of Saskatchewan's equity

All advances are non-interest bearing and are repayable at the discretion of the Province.

Advances from the Saskatchewan Heritage Fund to those Crown corporations consolidated herein amounted to $839 million at December 31, 1982 ( 1981 - $808 million).

## 14. Customer capital contributions

Customer capital contributions are required by Saskatchewan Power Corporation when the estimated cost of providing future service, beyond the anticipated service life of the provided facility, to certain customers is expected to exceed the revenue to be received from these customers. Customer contributions, in this respect, amounted to $3 million during the year (1981 - $5 million).

Customer contributions required in respect of utility service expected to be economically self-sustaining for the estimated service life of the provided facilities is credited to power utility revenue prepayments (Note 10) and amortized to revenue over the appropriate period.

## 15. Unusual items

The following unusual items were included in operating costs:

a) A provision of $8.9 million was made to adjust the carrying value of certain investments to their estimated net realizable value.

b) The initial costs of certain projects were capitalized pending evaluations for commercial development. In 1982 such costs in the amount of $11,288,000 (net of depletion and depreciation totaling $1,018,000) relating to enhanced oil recovery and upgrading of heavy oil were charged against earnings.

c) Saskatchewan Government Insurance underwrites a portfolio of assumed reinsurance, which accepts a portion of the risk of other insurers. In 1982, the loss from assumed operations was $32 million (1981 - $253 thousand). The major portion of the 1982 loss is attributable to claims arising from previous underwriting years.

## 16. Restatement

Other revenue and reinvested earnings were restated to reflect, retroactively, amounts claimed by Saskatchewan Power Corporation as Alberta Royalty Tax Credits allowed in respect to royalties paid to the Province of Alberta. The amounts are $2,381,000 for years prior to 1981 and $2,003,000 in 1981. This increased other revenue by $2,003,000 and reinvested earnings by $2,381,000 in the 1981 figures as restated.

## 17. Saskatchewan taxes and resource payments

| | 1982 | 1981 |
|---|---|---|
| | (thousands of dollars) | |
| Resource royalties and payments | | |
| Potash resource payments .. | $ 11,896 | $ 65,914 |
| Oil royalties ..... | 33,684 | 20,703 |
| Timber dues ..... | 1,857 | 1,597 |
| Sodium sulphate royalties .. | 1,268 | 1,042 |
| | 48,705 | 89,256 |
| Grants in lieu of taxes to municipalities ..... | 25,148 | 20,296 |
| Insurance premium tax ..... | 7,925 | 7,127 |
| Capital tax ..... | 5,390 | 6,294 |
| Other ..... | 12,599 | 11,950 |
| Total paid or payable ..... | 99,767 | 134,923 |
| Amounts capitalized ..... | (42) | (49) |
| Amounts inventoried ..... | (6,347) | (4,230) |
| | $ 93,378 | $ 130,644 |

Incentive credits received from the Province of Saskatchewan pursuant to the Oil and Gas Incentives Regulations, 1978 amounted to $3.4 million (1981 - $2.6 million). The total 1982 credit was applied to the cost of property, plant and equipment.

Saskatchewan taxes and resource payments as stated above do not include Saskatchewan Education and Health Tax payments.

## 18. Commitments and contingencies

The Corporation and its consolidated Crown corporations had the following commitments as at December 31, 1982:

(a) natural gas contracted for future delivery for approximately $2,310 million valued at current prices,

(b) capital expenditures for approximately $785 million. Long-term debt of approximately $203 million has been assumed since December 31, 1982 for the purpose of financing these capital expenditures.

(c) approved but undisbursed purchases of municipal debentures of approximately $4.5 million,

(d) lease payments of approximately $26 million for its 1983 fiscal period,

(e) approved but undisbursed loans of approximately $15 million, loan guarantees in force of approximately $17 million of which $8 million were not used at December 31, 1982,

(f) borrowed and contracted to borrow 1,580,000 pounds of uranium concentrates with an option to borrow a further 620 thousand pounds. If the Corporation should be unable to meet its obligations to return these borrowed concentrates in kind, the lender could, on demand, draw upon $60 million U.S. letters of credit guaranteed by the Province of Saskatchewan, to cover the costs of purchasing substitute concentrates,

(g) financial commitments arising from various exploration and development joint venture agreements.

The corporations are the defendants to several unresolved statements of claim. The corporations have provided in their accounts for these claims in accordance with the advice received from legal counsel. The corporations intend to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

## 19. Reinvested earnings - appropriated

| | Appropriated Reinvested Earnings- Saskatchewan Heritage Fund | Appropriated Reinvested Earnings- Other | Appropriated Reinvested Earnings- Total |
|---|---|---|---|
| | | (thousands of dollars) | |
| January 1, 1981 | $ 221,798 | $ 14,711 | $ 236,509 |
| Appropriations - 1981 | 141,721 | 2,216 | 143,937 |
| December 31, 1981 | 363,519 | 16,927 | 380,446 |
| Appropriations - 1982 | 1,817 | (16,927) | (15,110) |
| Dividend | (42,000) | – | (42,000) |
| December 31, 1982 | $ 323,336 | $ – | $ 323,336 |

The appropriation of reinvested earnings in respect to the Saskatchewan Heritage Fund is in accordance with a resolution of the Corporation's board of directors made pursuant to The Crown Corporations Act, 1978 and is subject to dividend payouts by Crown Investments Corporation of Saskatchewan only to the Saskatchewan Heritage Fund.

Appropriated reinvested earnings — other — for 1981 and prior included an appropriation of the reinvested earnings derived from Saskatchewan Power Corporation for the purpose of rate stabilization in the amount of $13.7 million. In 1982 this amount was transferred to unappropriated reinvested earnings.

## 20. Remuneration of directors and senior officers

The Corporation's eight directors received $2400 (1981-$4,650) remuneration from Crown Investments Corporation of Saskatchewan as directors. The 15 senior officers (1981- 12) received, in aggregate, $957,789 in salaries for 1982 (1981 - $609,993).

## 21. Related party transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and non-Part II Crown corporations with which the corporation is related.

Account balances resulting from these transactions are included in the consolidated statement of financial position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

## 22. Segmented information

| | Resources | | Utilities | | Financial & Service | | Consolidated Operations | |
|---|---|---|---|---|---|---|---|---|
| | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 |
| | (millions of dollars) | | | | | | | |
| **Statement of Operations** | | | | | | | | |
| Revenue | $ 382 | $ 533 | $ 968 | $ 820 | $ 347 | $ 313 | $ 1,697 | $ 1,666 |
| Operating costs | 265 | 230 | 621 | 512 | 352 | 271 | 1,238 | 1,013 |
| Interest | 11 | 8 | 185 | 146 | 24 | 18 | 220 | 172 |
| Depreciation, depletion | 50 | 55 | 125 | 112 | 3 | 2 | 178 | 169 |
| Saskatchewan taxes | 54 | 96 | 29 | 25 | 10 | 9 | 93 | 130 |
| | 380 | 389 | 960 | 795 | 389 | 300 | 1,729 | 1,484 |
| Segment margin | $ 2 | $ 144 | $ 8 | $ 25 | $ (42) | $ 13 | (32) | 182 |
| Earnings from equity investments (note 5) | | | | | | | 3 | 4 |
| Interest, general corporate expenses and subsidiary | | | | | | | (99) | (64) |
| Intercorporation profits | | | | | | | 2 | (6) |
| Corporate net earnings (loss) | | | | | | | $ (126) | $ 116 |

Revenue and expenses are recorded before the elimination of intercorporation transactions. These transactions are priced at open market prices for similar products and services and are eliminated in the determination of the consolidated statement of operations.

Interest, general corporate expenses and subsidiary include C.I.C. Corporate results and Prince Albert Pulp Company Ltd.

Financial and Services sector revenue includes $6.6 million (1981 - $20 million) representing a portion of the Province of Saskatchewan's motive fuel tax that has been designated by the Province as insurance premiums.

| | Resources | | Utilities | | Financial & Service | | CIC Corporate | | Consolidated Operations | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 | 1982 | 1981 |
| | (millions of dollars) | | | | | | | | | |
| **Other financial information (net of inter-corporation transactions)** | | | | | | | | | | |
| Investments | $ 2 | $ 1 | $ 11 | $ 4 | $ 404 | $ 330 | $ 109 | $ 114 | $ 526 | $ 449 |
| Property, plant & equipment | $ 1,710 | $ 1,428 | $ 2,424 | $ 2,196 | $ 46 | $ 43 | $ 210 | $ 218 | $ 4,390 | $ 3,885 |
| Capital expenditures | $ 354 | $ 366 | $ 336 | $ 379 | $ 5 | $ 6 | $ 17 | $ 35 | $ 712 | $ 786 |

For the purposes of providing the foregoing segmented information given in this note, C.I.C. Corporate includes C.I.C., CIC Industrial Interests Inc. and Prince Albert Pulp Company Ltd.